

**California Cap-and-Trade Program  
Guidance for Allowance Consignment to Auction  
December 2014**

**Background**

The Cap-and-Trade Regulation (Regulation) provides that allowances are allocated annually to each eligible electrical distribution utility or natural gas supplier (consigning entity). The Air Resources Board (ARB) will place allowances in the Limited Use Holding Account (LUHA) created for each consigning entity on November 1 of each year, or the first business day thereafter.

**Allowance Consignment Requirements**

Each calendar year, a consigning entity must offer for sale at auction all allowances that have been placed in the LUHA that were issued from the budget year that corresponds to the current calendar year. A consigning entity assigns these allowances to consignment by transferring the allowances from their LUHA to the California Auction Holding Account.

Section 95910(d) of the Regulation provides that an entity may consign allowances for sale at an auction only from a LUHA and that allowance consignment to auction through a transfer to the Auction Holding Account must be completed at least 75 days prior to an auction for the allowances to be offered for sale at that auction.

For 2015, there are four scheduled allowance auctions: in February, May, August, and November. The consignment deadlines for the auctions in 2015 are as follows:

- February 2015 auction – December 5, 2014
- May 2015 auction – March 9, 2015
- August 2015 auction – June 4, 2015
- November 2015 auction – September 3, 2015

**Consignment Transfers in CITSS**

Transfers of allowances from a LUHA to the Auction Holding Account that are successfully completed in CITSS between the last auction consignment deadline and the close of business (11:59 PM Eastern Time) on the day of the current consignment deadline will be consigned to the next scheduled quarterly auction. Allowances transferred in CITSS cannot be designated for consignment in a future auction.

CITSS transfers from a LUHA to the Auction Holding Account are completed in two steps: proposal and approval. The Primary Account Representative (PAR) or one of the Alternate Account Representatives (AARs) of the consigning entity must propose the transfer request in CITSS. A second representative of the consigning entity, who cannot be the same individual that proposed the transfer, must approve the proposed transfer request within two days of the transfer request proposal or the transfer request will expire in CITSS. A transfer is completed only if it is approved prior to expiring. CITSS transfers that have “Expired” will require a new transfer proposal and approval prior to the consignment deadline in order to consign allowances to the next scheduled quarterly auction.

Consigning allowances to the Auction Holding Account is a permanent and irreversible action. The consignment will be complete when the transfer is approved by a second account representative of the transferring entity. If you need assistance in completing a consignment transfer in CITSS, please refer to the CITSS User Guide, Volume III, available on the ARB CITSS webpage at [www.arb.ca.gov/citss](http://www.arb.ca.gov/citss).

## **Auction Consignment and Participation**

### Consigning Only

If an entity is only consigning to an auction and has no intention of participating in that auction to purchase allowances, DO NOT submit an auction application in the Auction Platform. If an entity that is only consigning its allowances to auction submits an auction application in the Auction Platform and does not submit a bid guarantee, the auction application will be rejected, and an email will be sent from the Auction Administrator to the PAR and all the AARs on the CITSS account indicating that the application was rejected.

For entities that are consigning allowances to auction but DO NOT intend to purchase allowances at the auction, the “Auction Participation” box in CITSS must still be selected no later than one (1) day prior to the end of the application period for an auction to ensure that the entity’s current account representative contact information is sent to the Cap-and-Trade Program Financial Services Administrator to conduct the consignment process.

### Consigning and Participating in an Auction

An entity that consigns allowances to an auction AND also wishes to participate in the same auction must complete all required actions to participate in the auction, including selecting the “Auction Participation” box in CITSS, submitting an auction application or confirming the intent to bid in the Auction Platform, and submitting a bid guarantee.

The “Auction Participation” box must be selected no later than one (1) day prior to the end of the application period for an auction an entity wishes to participate in and must remain selected throughout the auction until allowances are transferred and the auction is closed. Additional information on the auction participation process is available on the ARB Auction Information webpage at [www.arb.ca.gov/auction](http://www.arb.ca.gov/auction).

#### Confirmation of Wiring Instructions with Financial Services Administrator

Every consigning entity is required to confirm the wiring instructions for the payment of auction proceeds with the Financial Services Administrator prior to every auction for which the entity has consigned allowances. The Financial Services Administrator will send an email to the PAR and all AARs of all consigning entities at the beginning of an auction application period for each auction to obtain wiring instructions and information confirmation. This email will include the ARB Consigning Entity Proceeds Wiring Instructions Form. The email and form will provide instructions to confirm that the wiring instructions used in the prior auction, if applicable, remain valid or to provide wiring instructions. Confirmation of wiring instructions must be done no later than the date the auction is held as listed in the Auction Schedule in the Auction Notice for all consigning entities, even if wiring instructions used for previous auctions remain valid.

#### Additional Information

Additional information may be obtained on the ARB Cap-and-Trade Program webpage at <http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm> or contact ARB at (916) 322-7072.